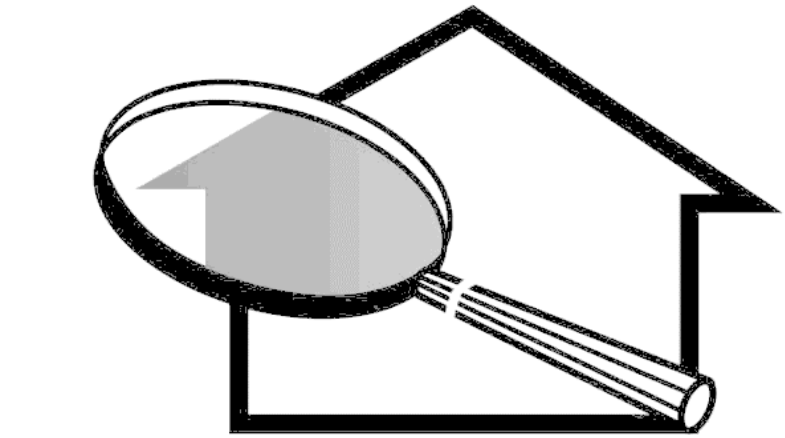
# Chapter 1

## *Physical Inspection Program Overview*



REAL ESTATE ASSESSMENT
C E N T E R

# Participant Guide

# Chapter 1: Physical Inspection Program Overview

## Table of Contents

# ACRONYM LIST

| ACRONYM | DEFINITION |
|---|---|
| BIC | Baseline Inspection Contact |
| CIDR | Central Integrated Data Repository |
| DCD | Data Collection Device |
| EC | Enforcement Center |
| FASS | Financial Assessment Subsystem |
| FHA | Federal Housing Administration |
| GTM | Government Technical Monitor |
| GTR | Government Technical Representative |
| H&S | Health & Safety |
| IBS | Integrated Business System (PHA) |
| LTHS | Life Threatening Health and Safety |
| MA | 'Major' Deficiency |
| MI | 'Minor' Deficiency |
| NA | Not Applicable |
| NIC | National Inspection Contract |
| NOD | No Observable Deficiency |
| OD | Observed Deficiency |
| PASS | Physical Assessment Subsystem |
| PASS DSD | REAC's Physical Inspection Software |
| PHA | Public Housing Authority |
| PI-Ops | Physical Inspection Operations Group |
| QA | Quality Assurance |
| QC | Quality Control |
| REACS | Real Estate Assessment Center System |
| REMS | Real Estate Management System-Housing |
| SE | 'Severe' Deficiency |
| TARC | Troubled Agency Recovery Center |

# Chapter 1 Physical Inspection Program Overview

- **Introduction to REAC's Physical Inspection Program**
- **Physical Inspection Protocol**
- **Quality Assurance and the Contractor Help Desk**

**Chapter Objectives:**

Upon completion of Chapter 1, you will be able to:

- Describe the purpose of the Physical Inspection Program and its contribution to achieving REAC's mission
- Explain inspector's role and responsibilities
- Explain importance of the Physical Inspection Protocol
- Describe the role of the Quality Assurance inspectors and how they support the Physical Inspection Program
- Describe the role of the Contractor Help Desk and how it supports the Physical Inspection Program

## ➢ Introduction to REAC's Physical Inspection Program

- The Real Estate Assessment Center Overview
- Physical Inspection Program Overview

**Overview:**

The overview provides:

- An understanding of the Real Estate Assessment Center (REAC), an independent organization within the U.S. Department of Housing and Urban Development (HUD).
- A description of the Physical Inspection Program developed by REAC to evaluate the physical condition of HUD's property portfolio.

**Objectives:**

Upon completion of the objectives, participants will be able to:

- Explain the mission and goals of the Real Estate Assessment Center (REAC)
- Describe the purpose of the Physical Inspection Program
- Describe the inspector's role within the Physical Inspection Program
- Describe the Physical Inspection Structure and its role in the Physical Inspection Program
- State the importance of scoring and usage of scoring in the Physical Inspection Program

## Real Estate Assessment Center (REAC) Overview

***HUD 2020***

The U.S. Department of Housing and Urban Development (HUD) has embarked on the most far-reaching and ambitious reform initiatives in its history.

In June 1997, the HUD 2020 Management Reform Plan announced significant changes to the Department's structure, processes, and systems. These changes are important to restore public confidence in HUD, and help HUD execute its mission to ensure decent, safe, and sanitary housing which is in good repair.

The two major initiatives of HUD 2020 are the **Real Estate Assessment Center (REAC)** and the **Enforcement Center (EC)**. REAC is designed to centralize the assessment of all HUD housing into a single, state-of-the-art organization. The EC is responsible for enforcement of housing standards and contractual agreements, with the goal of turning around troubled properties and preserving decent and affordable housing for the tenants.

***Real Estate Assessment Center***

The **Real Estate Assessment Center (REAC)** is an independent organization, separate from HUD's program offices. REAC is designed to give HUD a more comprehensive and consistent tool with which to assess its properties. As a result, HUD is better able to prioritize and direct its resources to properties that need attention.

REAC is a national management center located in Washington, DC. Its main purpose is to centralize and standardize the way HUD evaluates the condition of the properties in which it has a financial interest or statutory obligation to monitor.

REAC monitors and assesses the condition of properties for which HUD has an interest or obligation. Specifically, these include properties in which HUD:

- Issues mortgages
- Provides grants for developing and operating properties
- Provides subsidized rental payments, either directly or through the Public Housing Authority (PHA)
- Owns the property
- Forecloses on a mortgage
- Has a remaining statutory obligation to ensure certain housing standards

REAC is responsible for collecting data on these HUD properties to assess the following four factors:

- Physical condition of properties
- Financial condition of properties
- Management capabilities of the owners or managers
- Resident satisfaction level

To adequately assess these four factors, REAC collects data from numerous sources, including:

- Physical inspections conducted on all public and HUD-assisted properties,
- Independent financial audits of annual financial statement data collected electronically and scored based on project performance, financial risk, and compliance,
- Qualitative management assessments conducted on the management operations of Public Housing Agencies, and
- Resident satisfaction evaluations ensuring residents have a voice in management decisions.

### *REAC's Mission*

REAC's mission is to improve housing quality and assure the public trust by:

- Providing accurate, credible, and reliable assessments of HUD's portfolio
- Identifying risks and providing opportunities for solutions
- Working with program partners and participants (e.g., property owners, management agents, Public Housing Agencies)

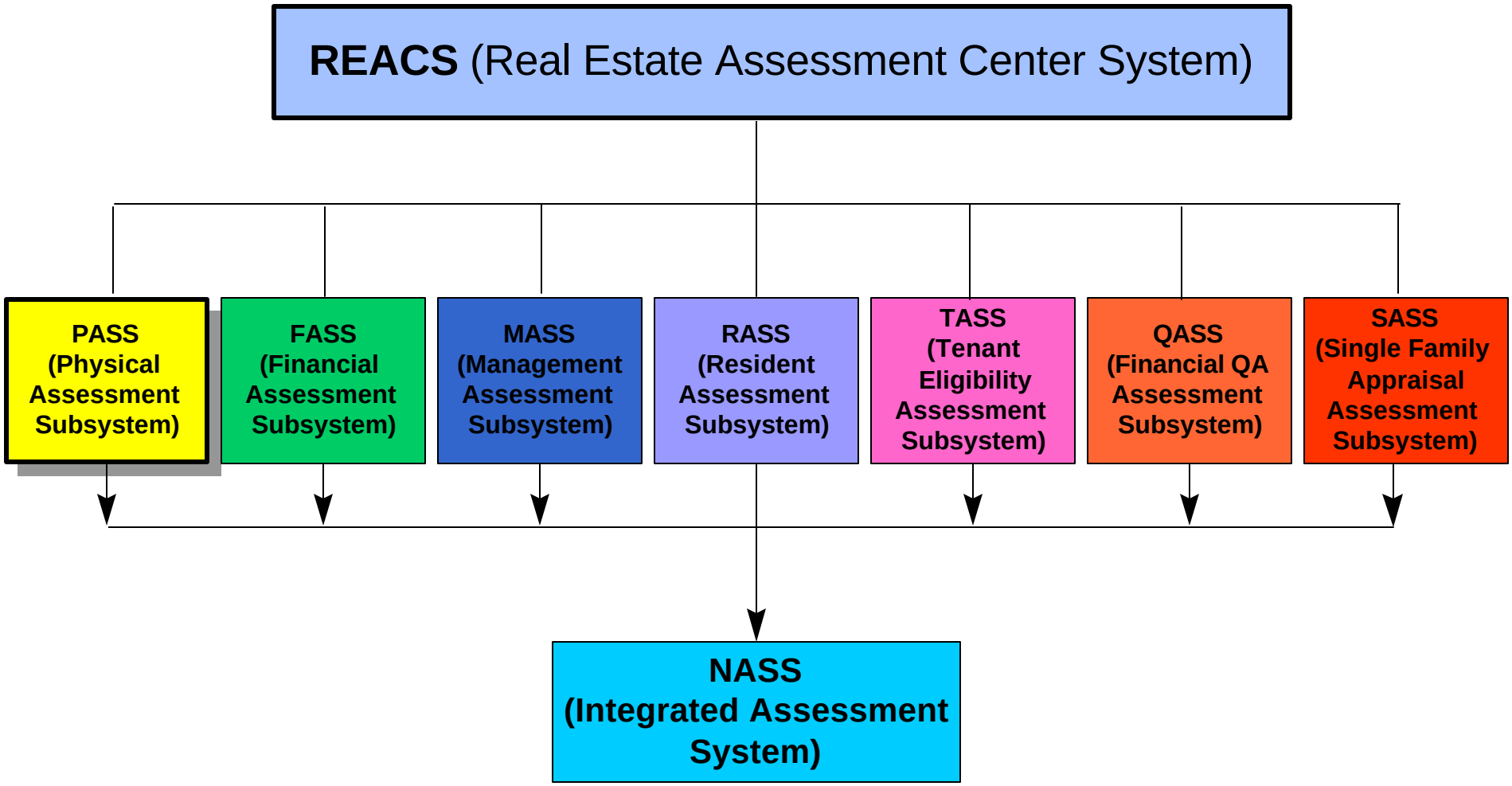
***REAC's Benefits***

REAC is designed to provide HUD with a new level of management capability by consolidating and significantly expanding the scope and quality of HUD's oversight of multifamily properties and PHAs. This enables HUD to have a consistent and comprehensive picture of its properties. The benefits of this program are:

- Establishes uniform standards to detect possible cases of fraud, waste, and mismanagement
- Increases HUD's ability to focus limited resources where most needed
- Strengthens HUD management controls

The ultimate benefit of REAC is to increase awareness and to improve the quality of life for residents by helping to ensure decent, safe, and sanitary housing in good repair.

# REAC's Data Systems



***REAC's Data Systems***

In an effort to achieve its goals and objectives, REAC is developing several systems for the evaluation of HUD supported properties. These systems focus on automating the process of gathering and analyzing data from HUD properties. They are used to give REAC a better overall picture of the property. All systems developed by REAC are part of the **Real Estate Assessment Center System (REACS)**.

The system responsible for automating the physical assessment of HUD properties is **PASS (Physical Assessment Subsystem)**. PASS consists of two components:

- **PASS 2.1** - PASS 2.1 is the software used by inspectors to conduct the physical assessment of HUD properties.
- **PASS On-Line** - PASS On-Line works "behind the scenes" to schedule and use the information received from the physical inspections and automate it for a comprehensive analysis.

REAC is developing other subsystems to help with the gathering and analysis of data related to other components of HUD properties (e.g., management capabilities of properties). These systems include:

- **FASS (Financial Assessment Subsystem) –** assesses the financial condition of the property
- **MASS (Management Assessment Subsystem)** – assesses the management capabilities of the property owners
- **RASS (Resident Assessment Subsystem)** – assesses resident satisfaction with HUD services
- **TASS (Tenant Eligibility Assessment Subsystem)** – assesses a potential resident's income criteria for lower-income housing
- **QASS (Financial Quality Assurance Subsystem)** – validates financial information submitted by PHAs and POA's

- **SASS (Single Family Appraisal Subsystem)** – addresses appraisal quality and the oversight process for appraisers
- **NASS (Integrated Assessment Subsystem)** – NASS is the larger integrated system in which data from PASS and the other subsystems is evaluated and analyzed. It helps provide an overall picture of the inspected HUD property.

## Physical Inspection Program Overview

***REAC's Physical Inspection Protocol***

REAC uses an extensive physical assessment process to collect data on the physical condition of HUD properties. REAC has established a comprehensive and standard set of rules and procedures, referred to as the **REAC Physical Inspection Protocol**, to gather the physical data on HUD properties. This protocol defines the process for properly completing an assessment. All assessments must follow the protocol to be accepted by REAC. This guarantees a standard and objective approach and makes this process thorough and effective.

***REAC Inspection Protocol*** is the standard set of rules and procedures to be followed on all inspections.

The physical inspection process is divided into three phases as listed below.

- Pre-Inspection
- Inspection
- Post Inspection

Each phase includes specific essential steps. The essential steps are in sequence as follows:

- Pre-Inspection
  - Receive inspection assignment from contractor
  - Download property profile from the Pass Web page
  - Arrange inspection with owner
  - Update inspection schedule using *Accessing Scheduling* function of the DCD
- Inspection
  - Travel to site
  - Meet with property owner

  - Verify/update property information (e.g., property name, property ID, scattered site)
  - Verify/update participant information (e.g., name, title)
  - Verify/update building information (e.g., building numbers, building type, number of units in building)
  - Verify property certificates and notification letter
  - Generate sample in PASS 2.1 software
  - Select units to inspect
  - Select alternate units to inspect
  - Inspect site, building, and units
  - Confirm/verify inspection data
  - Complete Notification of Exigent and Fire Safety Hazards Observed (life-threatening health and safety) form
- Post Inspection
  - Submit form
  - Upload completed inspection to Web

The roles, responsibilities, and tasks assigned to each of these essential steps are discussed in greater detail in the Physical Inspection Protocol section.

This assessment process relies on the use of trained and certified inspectors who have a comprehensive understanding of the Physical Inspection Protocol and REAC's Physical Inspection software.

***Inspector's Role***

The inspector assesses the physical condition of the property **as it exists at the time of the inspection**. The physical inspection should be considered a "snap-shot in time". An Inspector cannot change the inspection report if a deficiency is repaired in view of the inspector.

**Inspector's Role:**

- Perform objective, factual physical assessments
- Conduct inspections according to the REAC Physical Inspection Protocol
- Ensure success by complying with HUD's standards

REAC-approved inspectors have been trained and certified to conduct all essential steps in the Physical Inspection process by following the Physical Inspection Protocol. Inspectors visit a property to verify information and conduct an inspection of the site, the selected buildings, building common areas and the selected units recording deficiencies using the Data Collection Device (DCD) with PASS 2.1 software.

Following the Physical Inspection Protocol guarantees objectivity when gathering and analyzing physical assessment data. It is important that inspectors correctly and consistently adhere to the established REAC protocol to eliminate subjectivity from the inspection, and promote consistent and comparable inspections across the HUD property portfolio. Inspections conducted following the protocol yield objective scoring and performance assessment.

***Physical Inspection Code of Conduct***

Inspectors should follow REAC's "Inspector Code of Conduct' when inspecting properties for HUD.

- Arrive on time
- Identify yourself as a contractor to HUD, not an employee of HUD
- Be courteous and professional at all times
- Display the REAC issued photo identification badge at all times
- Always be accompanied by the property owner or a representative while on the property
- Defer questions from the residents regarding the property to the owner or agent representative
- Do not make promises that items will be repaired based on inspection results
- Do not offer an opinion as to the quality of the site, unit or building
- Refer to persons living in the units as residents **not** tenants
- Refer to the property as a development **not** a project

# PASS Software

**Inspector Gathers Data**

**D**ata
**C**ollection
**D**evice

**The Internet**

**PASS On-Line**
(Physical Assessment Subsystem) On-Line

**Scoring**
**Checklist**
**Reporting**

***PASS Software***

As previously mentioned, inspectors use the DCD and PASS 2.1 software to correct information on HUD properties, and complete an inspection.

REAC utilizes three specific technology components:

1. Data Collection Device (DCD) hand-held computer and PASS 2.1 software
2. The Internet
3. PASS On-Line software

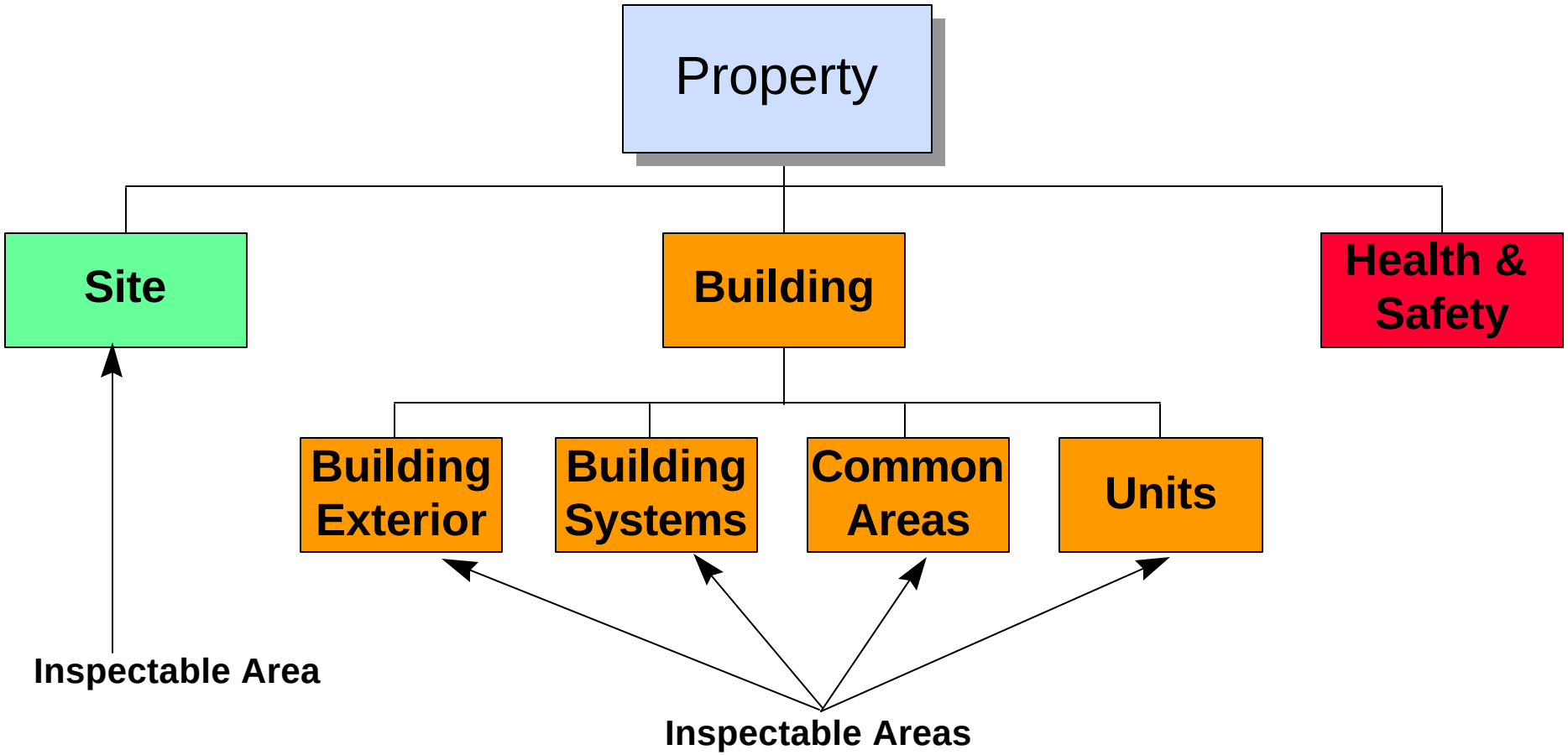
- **DCD -** A stand-alone, hand-held computer used by the inspector for data collection. This device is used to upload and download files and record the inspector's observations using the PASS 2.1 software.

- **The Internet** - The source by which the inspector electronically transmits the recorded observations from the DCD to PASS On-Line. The Internet can be thought of as a "conduit" by which data travels from the hand-held DCD to PASS On-Line. PASS On-Line receives the physical inspection data sent from the individual inspector's DCD.

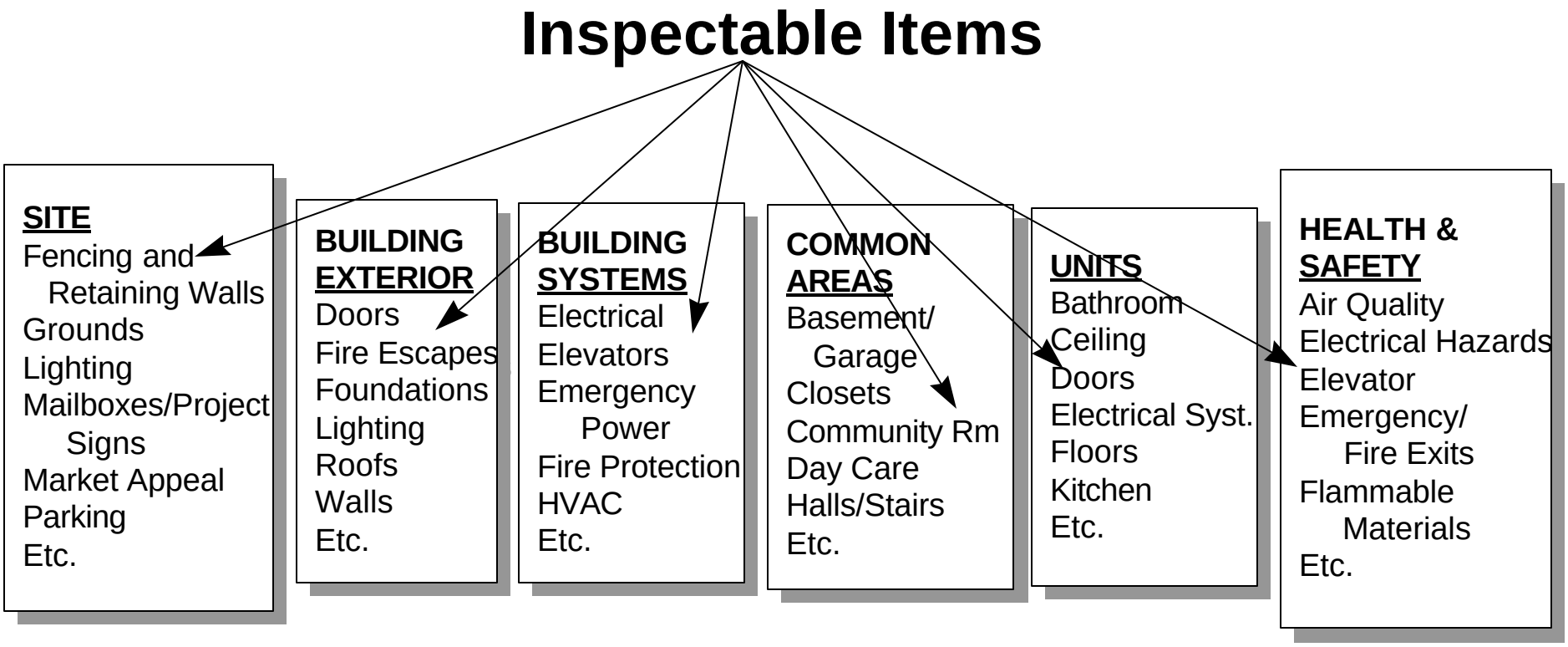
- **PASS On-Line** - The sub-system where all scheduling occurs and where the raw inspection data, including property profiles and assessment results, is collected, processed, and stored.

These three technology components are integral to the collecting, storing, and reporting of physical assessment information. Proper use of the information technology systems is discussed in greater detail in Chapter 2.

# Physical Inspection Structure



# Physical Inspection Structure



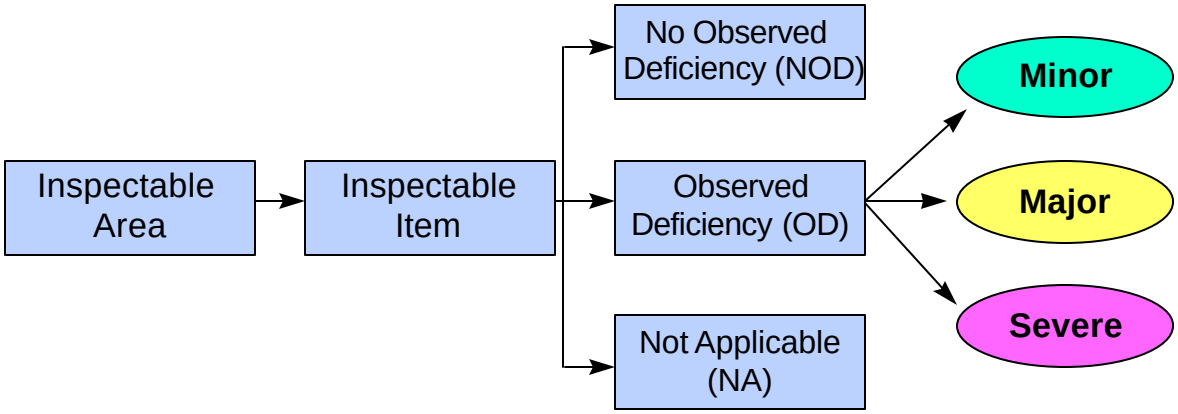
***Physical Inspection Structure***

The Physical Inspection Structure represents the components of REAC's inspection protocol. As shown in the two previous diagrams, the inspector is required to inspect the **inspectable areas** of the property. The five inspectable areas are:

- Site
- Building Exterior
- Building Systems
- Common Areas
- Units

Each inspectable area has one or more **inspectable items** and may have one or more **Health and Safety items**. An inspectable item is a specific item within an inspectable area that the inspector is required to inspect (e.g., within the Site inspectable area, an inspectable item is fencing and retaining walls). A Health and Safety item is a specific deficiency that, if present, creates a danger to the health and safety of the residents (e.g., poor air quality).

Inspectable items within each inspectable area are evaluated for possible **deficiencies**. A deficiency is an observable defect of the inspectable item. Inspectors make observations about the condition of inspectable items and record the condition in one of three possible ways.



1. **No Observed Deficiency (NOD)** - The inspectable item does not have any observed defects.
2. **Observed Deficiency (OD)** - The inspectable item has one or more observed defects.
3. **Not Applicable (NA)** - The inspectable item is not applicable for the inspection area. In other words, the item is not present and was not intended to be present.

The inspector must rate each observed deficiency as either **Minor**, **Major**, or **Severe** according to criteria defined by REAC.

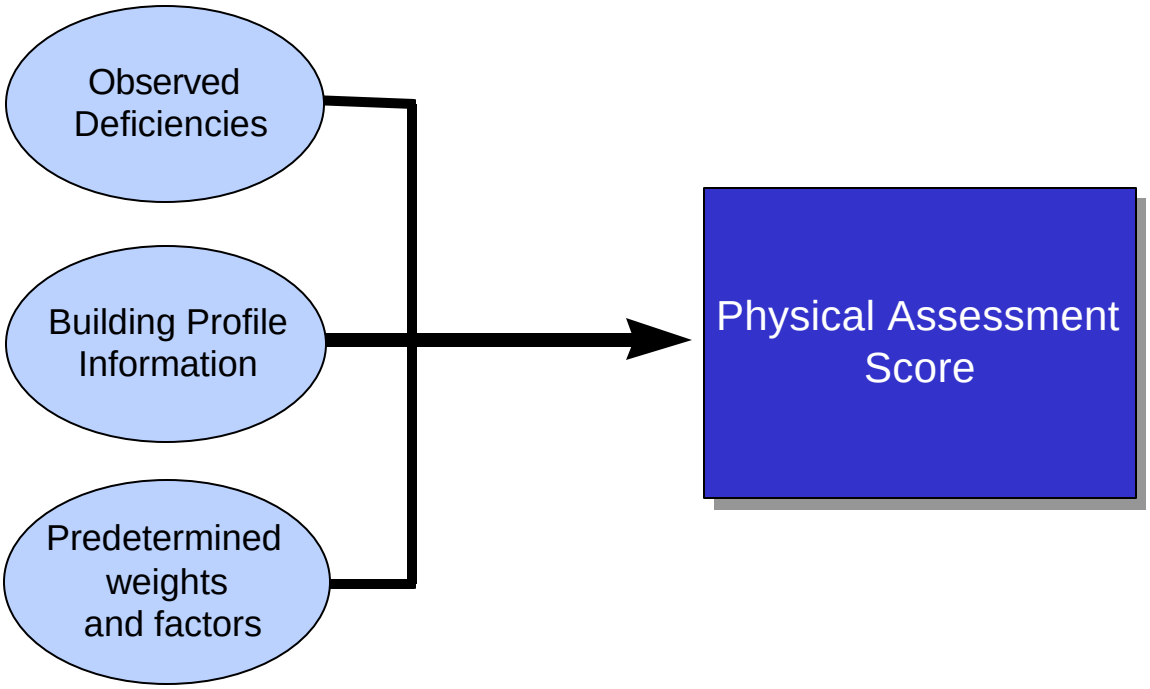
Each deficiency has its own definition for minor, major, and severe ratings. For severe ratings, the inspector should identify the location and enter relevant comments in the *Comments* text field of the PASS 2.1 Software. Some deficiencies may not have all three ratings.

The Physical Inspection Structure is the basic classification system that is used for all inspectable properties. Chapter 3, **Definitions Training**, further explains the meaning of each inspectable item and the rating scale for its possible deficiency.

***Scoring***

The Physical Inspection Protocol provides HUD/REAC with a standardized procedure to thoroughly evaluate the physical condition of HUD properties.

When inspection data is uploaded to REAC, it is automatically checked and validated using an objective, comprehensive set of business rules. For example, if the inspector has not recorded all certificate information, the inspection data cannot be validated. The inspection score is produced by using computerized formulas.




Because scoring takes all inspectable areas into account and weights inspectable items and ratings accordingly, the final property score is a comprehensive indicator of the physical condition of the property.

Action by HUD will be taken against properties whose scores from REAC assessments show reason for concern. Numeric scores are used to identify properties that do not provide decent, safe, and sanitary housing. Troubled public housing properties are referred

to Troubled Agency Recovery Centers where HUD program staff work with PHAs to resolve troubled conditions. High-risk multifamily properties are referred to the HUD's Enforcement Center (EC).

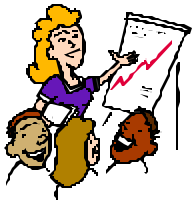
If the property owner/agent has questions concerning the scoring process, refer them to the REAC Customer Service Center at **1-888-245-4860**.

***Summary*** The purpose of the physical inspection process is to provide HUD with the ability to assess whether its properties are in a safe, decent, sanitary condition and in good repair. REAC and HUD use the results to assess the overall condition of portfolios currently under its jurisdiction.

## HUD Physical Inspections

**Are:**

- Objective
- Consistent
- Comprehensive
- Evaluations of HUD supported properties
- A step to help HUD prioritize and direct its resources
- A method to ensure **decent, safe, and sanitary housing in good repair**



**Discussion**

Discuss the following questions as a group.

1. What are the two major initiative efforts of HUD's 2020 Management Reform Plan to centralize the assessment of all HUD properties?

2. How does REAC benefit HUD?

3. What is the system responsible for automating the physical assessments of HUD properties?

4. What are the three phases of the Physical Inspection Protocol process?

5. What is the inspector's role in the Physical Inspection Program?

6. What is the Inspector's Code of Conduct?

7. Name the three types of observed deficiencies during a physical inspection of a property.

## ➢ Physical Inspection Protocol

- Using the Physical Inspection Protocol

**Protocol Overview:**

The purpose of the protocol is to:

- Define REAC Physical Inspection Protocol
- Explain the importance of following the Physical Inspection Protocol
- Detail components of inspection phases
- Outline the essential steps necessary to successfully complete physical inspection

**Protocol Objectives:**

Upon completion, participants will be able to:

- Explain the purpose of the Physical Inspection Protocol
- Describe each component of the Physical Inspection Protocol
- Describe the consequences and the potential impact of **not** following the protocol

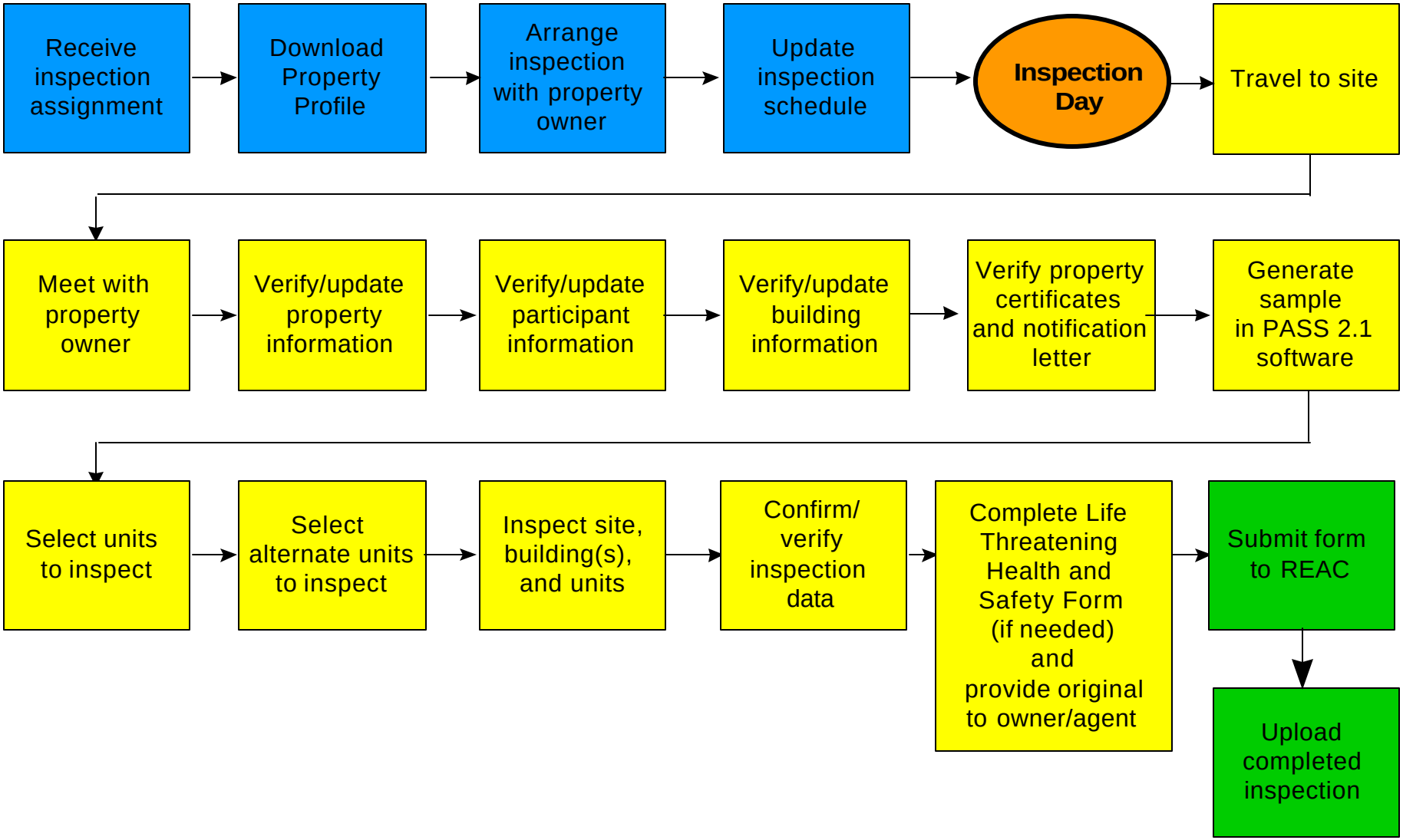
## Using the Physical Inspection Protocol

***Protocol Purpose***

REAC's mission is to provide HUD with accurate, consistent, and objective inspection data. In order to achieve this goal, it is critical that inspectors follow the Physical Inspection Protocol. The protocol is a set of procedures and definitions used to standardize the inspection process. All HUD properties must be inspected using the same protocol, and deficiencies must be rated according to REAC criteria. Following the standard inspection protocol ensures that all properties are inspected consistently.

Turn to the next page to review the Physical Inspection Protocol chart.

# Physical Inspection Protocol



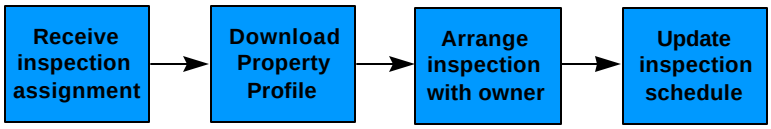
***The Physical Inspection Protocol***

The Physical Inspection Protocol is designed to provide inspectors with a standard procedure for conducting inspections and assessing observable deficiencies. The Physical Inspection Protocol is divided into three general areas. Each area is further divided into essential steps:

- Pre-Inspection
  - Receive inspection assignment
  - Download property profile
  - Arrange inspection with owner
  - Update inspection schedule
- Inspection
  - Travel to site
  - Meet with property owner
  - Verify/update property information
  - Verify/update participant information
  - Verify/update building information
  - Verify property certificates and notification letter
  - Generate the sample in the PASS 2.1 software
  - Select units to inspect
  - Select alternate units to inspect
  - Inspect site, building, and units
  - Confirm/verify inspection data (Check/Prepare)
  - Complete Notification of Exigent and Fire Safety Hazards Observed form and provide original to owner
- Post Inspection
  - Submit form
  - Upload completed inspection

It is important that inspectors follow these essential steps on each inspection to maintain consistency and accuracy.

# Pre-Inspection




**STEP 1**

***Receive Inspection Assignment***

REAC begins the inspection process by determining which properties need to be inspected and in what timeframe. REAC obtains the property profile information from other HUD systems and stores it on the REAC Web site. Each inspection is assigned a unique inspection number that is used for downloading and tracking purposes.

REAC assigns specific inspections to the contractors by issuing a task order. The contractor is responsible for communicating inspection assignments and inspection numbers to individual inspectors. Once inspection assignments are received, the inspector can begin the scheduling process.

**Key Point:**

The contractor is responsible for assigning REAC inspection assignments to their inspectors.

**STEP 2**

***Download Property Profile***

The inspector must obtain the relevant inspection information, called the Property Profile, from REAC. The Property Profile can be downloaded directly onto the PASS 2.1 software from the REAC Web site.

The Property Profile contains:

- Inspection number
- Property information (e.g., property name)
- Participant information (e.g., name, title)
- Building information (e.g., building name and type)
- Total Number of Units

Once downloaded, information from the Property Profile is automatically entered into relevant sections of the PASS 2.1 software. This electronic data transfer reduces some of the manual input the inspector must do.

**STEP 3**

***Arrange Inspection with Owner***

After the contractor creates a tentative schedule, the inspector must contact the property owner, management company, or PHA to negotiate the actual inspection date and time. All inspections must occur in the presence of the property owner or designated property representative.

The inspector must make sure the property owner understands the purpose of the inspection. Inspectors should explain that the goal of the inspection is to objectively assess the physical condition of the property, **not** generate a list of maintenance issues. In the event the property owner refuses to permit an inspection, the inspector must report the situation to the Contractor Help Desk immediately. The **contractor** is responsible for contacting the Government Technical Representative (GTR) or the Government Technical Monitor (GTM), in order to convey this information.

**Key Point:**

The inspector is responsible for negotiating a mutually agreeable time and date for the inspection with the property owner. All inspections must occur in the presence of the property owner or authorized representative.

## Inspection Notification Letter

The contractor is responsible for sending a letter of introduction informing the property owner of the purpose of the inspection and confirming the date of the inspection. This letter also informs the property owner of their responsibilities prior to and during the inspection. The letter states that property owners must:

- Notify all residents that an inspection will occur sometime during the next week.
- Be prepared to provide the inspector with detailed property information, including:
  - The total number of buildings
  - The total number of units in each building

- The address or unique identifier for each building
- A copy of the document notifying residents of the inspection
- Any applicable certificates (e.g., elevators, sprinklers, etc.)

Turn to the next page to see a sample of the Inspection Notification Letter.

**STEP 4**

***Update Inspection Schedule***

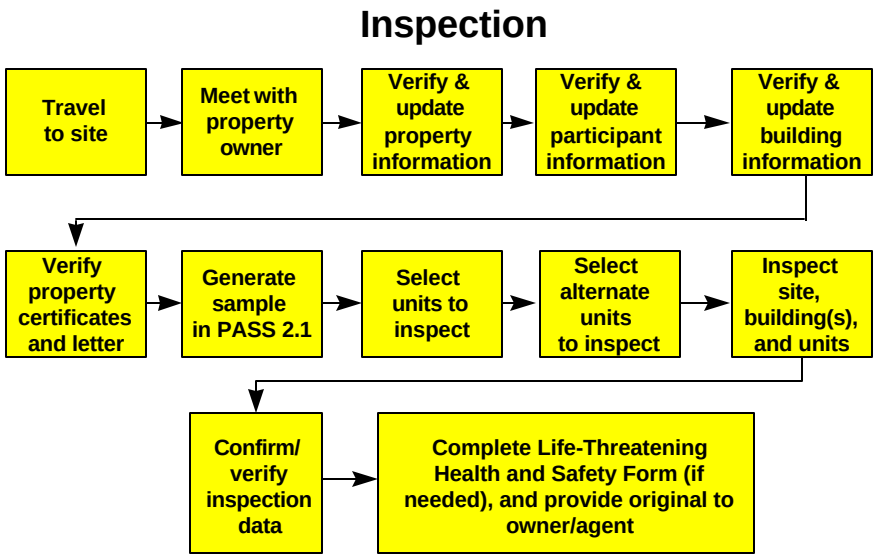
Once inspections are scheduled with the property owner or their representative, it is the contractor's responsibility to update the inspection schedule as necessary. The inspector is responsible for notifying the contractor of any changes to the schedule.

REAC Quality Assurance (QA) inspections are scheduled based on the contractor's schedule. Therefore, REAC must be aware of all schedule changes.

**Key Point:**

The contractor must create a tentative inspection schedule for each quarter. This schedule is used by REAC to schedule QA inspections. The contractor is responsible for notifying REAC of all schedule changes.

## Physical Inspection Protocol




**STEP 5**

***Travel to Site***

The inspector is required to travel to the property to conduct the inspection. Inspectors must comply with the following rules:

1. The inspector must be physically present to conduct the inspection.
2. If the inspection cannot be completed on the scheduled day, the inspector must call the Contractor Help Desk.
3. If the weather prevents the inspector from arriving at the property, they must contact the Contractor Help Desk. The contractor must request approval from REAC to declare the inspection “unsuccessful”, based on REAC’s Inclement Weather Policy and/or Natural Disaster Policy. To review a copy of REAC’s Inclement Weather Inspection Policy, turn to the next page.

**STEP 6**

***Meet With Property Owner***

Before beginning the actual inspection, the inspector must meet with the property owner, management agent, or authorized representative. It is important to follow protocol guidelines as listed below when working with property owners:

- Discuss the plan for conducting the inspection with the owner
- Inform the owner and/or representative of how any Life-Threatening Health and Safety hazards identified during the inspection will be handled
- Clearly explain the purpose of the inspection
- Clearly explain the sampling process
- Explain that the inspector must be the one who will conduct the physical inspection

It is important that property owners understand the purpose of the inspection. Inspectors should explain that the goal of the inspection is to objectively assess the physical condition of the property, not to create an exhaustive list of areas needing repair.

Inspectors should also briefly explain the sampling process. The sampling function of the PASS 2.1 software is designed to generate a random sample of buildings and units for inspection. Using a series of mathematical and statistical equations, the PASS 2.1 software generates a list of sample units and buildings. The sample is designed to produce inspection results that is representative of the results that would have been obtained if every building and unit had been inspected. The inspector should stress that the sampling procedure dramatically reduces the time it takes to complete a physical inspection.

**STEP 7**

***Verify/ Update Property Information***

Large portions of the downloaded property information for many properties may be incorrect or outdated, since HUD has not recently inspected these properties. The inspector is responsible for correcting and updating the downloaded property information before conducting the physical assessment. It is **critical** that inspectors verify and correct any differences in the property information in the PASS 2.1 software prior to generating the sample.

The property information is used to generate statistically accurate building and unit inspection samples.

- Inspector is responsible for updating property information **before** beginning the inspection
- If the information is not updated prior to the inspection, the building and unit sampling will be incorrect
- Inspector should ask the property owner/agent if there are any additional property changes that may make a building uninspectable

Failure to correct property information may result in an inaccurate count of buildings and/or units. Such a mistake will cause incorrect sampling calculations and may invalidate the inspection. In such cases, a new sample must be generated with the correct property information and a new inspection conducted.

Property information includes the following:

- Property name, address, and telephone number
- Property ID/PIH Project Number (these fields cannot be changed)
- Scattered site information
- Total number of buildings and units

The inspector should question the property owner about additional property changes or updates that may affect the inspection. For example, buildings may be uninspectable due to fire damage, or

new buildings may have been added to the property. Such information must be recorded in the PASS 2.1 software prior to generating the sample, since it will impact the accuracy of the sampling.

**STEP 8**

***Verify/ Update Participant Information***

After validating general property information, the inspector should verify and update participant information. A participant can be an individual or an organization (e.g., property owner, PHA, or management agent). All new participants must be added to the property profile using the *Add Participant* function in the PASS 2.1 software. Participant information is an important record of the persons and organizations involved in the inspection.

Participant information includes the following:

- Participant name
- Participant role
- Participant organization name
- Participant address and telephone number

**STEP 9**

***Verify/ Update Building Information***

In addition to property and participant information, the inspector is responsible for verifying building information. A building is defined as any structure that has a permanent foundation, is enclosed on all four sides and has at least one utility servicing it (e.g., gas, electric, sewer).

In order to generate a valid sample, the PASS 2.1 software must have an accurate count of buildings and units. Any new buildings must be added to the property profile, and non-existent buildings deleted. Changes to the number of units must also be updated in the PASS 2.1 software.

Building information includes the following:

- Building Number (e.g., 1, 2, 3)
- Building name and address (e.g., Office & Laundry, 421 East Avenue)
- Building type (e.g., Row/Townhouse, Garden Apartments)
- Building construction year (e.g., 1974)
- Total number of units (e.g., in building)

The inspector is also responsible for determining the inspection status of each building. If a building is declared uninspectable, the inspector must physically verify the reason and record it in the PASS 2.1 software. Buildings marked uninspectable will not be included in the sampling calculations. It is important that inspectors record uninspectable buildings **before** generating the sample.

The following are accepted reasons by REAC, which determine a building as uninspectable:

- Abandoned/Boarded Up
- Building Added after Sample was Generated
- Demolished
- Fire Damage

- Locked
- No Keys
- Occupant Refusal
- Off-Line (unit and/or building currently undergoing rehab)
- Other Hazard
- Police Restricted Area
- Vacant

**Key Point:**

Accurate building information is critical to a successful inspection. If an uninspectable building is not recorded, it will be included in the sampling calculation, resulting in an invalid inspection sample. In such cases, a new sample must be generated with the correct building information and a new inspection conducted.

**STEP 10**

***Verify Property Certificates and Notification Letter***

The property owner is required to show that they have all the proper certificates for property systems (e.g., boiler, elevators, fire alarms, lead-based paint, and sprinkler systems). Certificates are documents certifying that specific safety and maintenance requirements have been fulfilled. Although there may be a system associated with each individual building, there may be only one overall certificate for each system.

The following certificates are required by REAC protocol:

- Boilers
- Elevators
- Fire Alarms
- Lead-Based Paint
- Sprinkler Systems

Inspectors should first determine if each certificate is applicable for the property. If a certificate is applicable, the inspector must verify the expiration date and record the information in the PASS 2.1 software. The inspector must physically verify **all** applicable certificates and expiration date for each property system, not just the sample buildings, and mark “Yes” or “No” in the PASS 2.1 software. Turn to the next page, to see a copy of a sample certificate.

In addition to verifying property system certificates, the inspector should verify that the property owner provided the residents with a written notification of the upcoming inspection. The inspector should request a copy of the resident inspection notification letter from the property owner to ensure it was distributed.

If the property owner did not provide a notification letter to the residents, the inspector should not inspect the property and should call the Contractor Help Desk to advise them of the situation.

**STEP 11**

***Generate the Sample***

Once certificates are verified, the inspector should generate an inspection sample using the sampling function of the PASS 2.1 software. Sampling plays a key role in the inspection process as it allows an inspector to assess a small set of randomly chosen buildings and units instead of every single one.

Using mathematical and statistical equations, the PASS 2.1 software generates a random sample displayed as a list of random numbers. These numbers are used in the next step to select units to inspect. The PASS 2.1 software calculations are designed to select a sample that reflects what would have been recorded had all buildings and units been inspected. Each sampled building will have its own set of sample units.

Although the PASS 2.1 software actually calculates the sample, it is the inspector's responsibility to carefully follow the Physical Inspection Protocol to ensure that the sample is valid. The inspector is responsible for confirming property, participant, and building information prior to generating the sample. Failure to verify this information may result in inaccurate samples that may invalidate the entire inspection.

Property owners should not be allowed to alter units in the sample. If an owner or representative insists on altering the sample, inspectors should contact the Contractor Help Desk for assistance.

**Why are some samples so small?**

Sometimes inspectors find it puzzling that the number of PASS 2.1 software generated sample units is so small compared to the total number of units that are in a building. This is similar to the situation in national polls, where there are millions of households or voters, yet only a few hundred may be interviewed. For most calculations using large group samples, the percentage of the sample is not relevant. What is relevant is making sure the sample is properly representative, and this can be assured when it is selected in an appropriate random manner.

**STEP 12**

***Select Units to Inspect***

Once the sample is generated, the PASS 2.1 software displays a sequence of whole numbers in the "Sample Units" text field on the "Building/Dwelling Information" tab. The inspector is responsible for using the number sequence to select building units to inspect.

Selecting units to inspect requires:

- PASS 2.1 software-generated sample units
- An all-inclusive list of units (e.g., rent roll)

For example, a rent roll listing of all units, both vacant and occupied, can be used as the all-inclusive unit reference list.

Each number in the "Sample Units" field represents a unit in the selected building. The position of each number represents the relative position of the unit on the list of units. The number "4", for example, represents the fourth unit appearing on the list of units for that particular building.

If an all-inclusive list of units is unavailable, the inspector should select units in ascending order from the lowest floor to the top floor. For example, in a building with two floors and six units numbered 1A, 1B, 1C, 2A, 2B, and 2C the number "4" on the list would refer to unit 2A.

**Key Point:**

The sampling function of the PASS 2.1 software generates a statistically valid random sample of buildings and units for inspection. Inspectors must follow sample steps:

- Generate the sample
- Match sample to all-inclusive list of units
- Inspect units in order given by sample

To maintain statistical validity, it is important to conduct unit inspections in the order in which they are displayed in the "Sample Units" field.

**STEP 13**

***Select Alternate Units to Inspect***

In order to maintain a statistically valid sample, inspectors must inspect an alternate unit whenever a sample unit is considered uninspectable. The sampling function of the PASS 2.1 software automatically generates alternate units. Alternate units are displayed after the sample units in the "Sample Units" text field.

Alternate selection follows three basic guidelines:

1. If there are no available alternate units in the sampled building, the inspector should select the first alternate unit in the next sampled building of the same type
2. If there are no alternate units available in the same building type, the inspector should use an alternate unit in the other building type
3. If there are no other alternate units available, the inspector should call the Contractor Help Desk for assistance.

Inspections should be conducted using the exact sample of buildings and units generated by the sampling function of the PASS 2.1 software. The inspector may inspect alternate units at any time during the inspection, however, alternates must be selected in the order they are displayed in the PASS 2.1 software.

For example, units 1C, 2A, 3D, 4A are in the sample. Unit 12A and 1B are the alternate units. If 2A is uninspectable, the first alternate unit (12A) must be selected ***before*** the second alternate (1B). The alternate 12A may be inspected at any time during the inspection, but must be used as an alternate before 1B is used as an alternate.

***Sampling Do's and Don'ts***

Inspectors must follow Physical Inspection Protocol rules when generating an inspection sample:

**Do**

- Verify all property and building information prior to generating the sample
- Use the all-inclusive list of units to determine sample units
- Inspect units in the order they are displayed
- Select alternate units in the order they are displayed

**Don't**

- Allow property owners to alter units in a sample
- Provide property owners with a list of sample units prior to the inspection
- Deviate from the Physical Inspection Protocol

**Activity**

Determine the units you will inspect using the following sampling and all-inclusive list of units.

**All-Inclusive List of Units**

Building: 2137 North St.

Units: 101, 102, 103, 104, 201, 202, 203, 204, 301, 302, 303, 305

Building: 2243 West St.

Units: 1A, 1B, 1C, 2A, 2B, 2C, 3A, 3B, 3C, 4A, 4B, 4C, 5A, 5B, 5C

**PASS 2.1 software Sampling**

2137 North St.: 3, 4, 8, 9, 11, Alternates: 10, 12, 1, 2

2243 West St.: 2, 5, 7, 10, 12, 14, 15, Alternates: 1, 13, 9, 3

The property owner informs you that unit 103 of 2137 North St. cannot be inspected due to poor housekeeping. What do you do?

During your inspection of 2243 West St., a resident refuses to let you inspect his unit, 3A. What do you do?

***Inspection Guidelines***

Once the inspection sample is generated, the inspector may begin the actual physical assessment. There are no set rules regarding the order of an inspection, but inspectors must assess **all** inspectable items for each inspectable area of the property.

There are five inspectable areas:

- Site
- Building Exterior
- Building Systems
- Common Areas
- Units

To ensure a successful, trouble-free inspection, inspectors should follow REAC guidelines. During the assessment, Inspectors should:

- Answer resident questions, but direct specific complaints or concerns to the property owner or representative escort
- Remind residents that the purpose of the inspection is to assess the physical condition of the unit, not evaluate housekeeping
- Assess items **inside** the development/property. Inspectors should not address physical structures that do not belong to the property (e.g., city sidewalks and streets)

***Health and Safety Hazards***

HUD and REAC are very concerned about Health and Safety issues, such as a blocked emergency exit, that pose a threat to the health and safety of the residents. All Health and Safety issues **must** be recorded in the PASS 2.1 software and brought to the attention of the property owner immediately.

The inspector must assess and rate any observed Health and Safety deficiencies. Each Health and Safety item has one or more observable deficiencies. Health and Safety items include:

- Air Quality
- Electrical Hazards
- Elevator
- Emergency/Fire Exits
- Flammable Materials
- Garbage and Debris
- Hazards
- Infestation

REAC has determined that certain deficiencies create Health and Safety concerns. When these deficiencies are marked “Severe”, they are automatically populated as being Health and Safety items. The inspector may also manually record Health and Safety issues for any area of the property. If a deficiency does not fall under any specific Health and Safety category, it can be recorded in the Hazards, Other section.

***Life-Threatening Health and Safety Hazards***

Certain Health and Safety deficiencies are considered life-threatening. There are eight life-threatening Health and Safety hazards:

1. Propane, natural, or methane gas detected
2. Exposed wires or open electrical panels
3. Water leaks on or near electrical equipment
4. Blocked or unusable emergency or fire exits
5. Window security bars preventing exit
6. Blocked fire escapes or ladders
7. Missing gas-fired hot water heater/HVAC, misaligned chimney
8. Inoperative/missing smoke detectors

**STEP 14a**

***Inspect Site*** The inspector is responsible for assessing the physical condition of the property site. The site is the area surrounding all buildings of the property. There is only one site per property, even if the property is a scattered site. The inspector is required to inspect the site for both specific inspectable items and Health and Safety hazards.

The site can be inspected at any point during the inspection, but the inspector must record all observable defects before uploading can occur. Site is the only inspectable area that may be assessed prior to generating the sample.

**STEP 14b**

***Inspect Building***

The inspector must assess the physical condition of three areas for each sample building.

- Building Exteriors - outside building surfaces (e.g., fire escapes, lighting)
- Building Systems - civil systems that support the building (e.g., domestic water, HVAC)
- Common Areas - areas within each building that are usable by more than one resident or by the property administration

The inspector should follow REAC business rules for the following:

- A sample building is discovered to be uninspectable by REAC standards
  - The inspector should reclassify the building as uninspectable in the PASS 2.1 software and inspect the first alternate building
- A missed building is discovered **before** the inspection has begun, but after the sample has been generated
  - The inspector should regenerate the sample
- A missed **common** building is discovered **after** the inspection has begun
  - The inspector should add the building to the property profile, change the Reason Uninspectable to “None Entered”, and inspect the building
- A missed building **with units** is discovered **after** the inspection has begun
  - The inspector should contact the Contractor Help Desk

**STEP 14c**

***Inspect Units***

The inspector is required to physically verify all units within a sampled building declared uninspectable by the property owner.

In the event a sample unit is declared uninspectable during the inspection, the inspector must indicate the reason in the PASS 2.1 software and inspect the next alternate unit indicated in the generated sample list. Alternate units must be selected in the order they are displayed in the PASS 2.1 software, but may be inspected in the order most convenient to the inspector.

**STEP 15**

***Confirm/ Verify Inspection Data***

Upon completion of the inspection, the inspector should verify that all inspectable items were assessed. The PASS 2.1 software has a built-in verification system that automatically reviews the thoroughness of the inspection by identifying missing items. The verification is performed using the "Check/Prepare" tab.

**Key Point:**

Only a completed inspection can be sent to REAC. If there are incomplete items, the inspection will not upload.

It is important to use the "Check/Prepare" tab before leaving the site. The inspector must visually verify all inspectable items. If the "Check/Prepare" function is executed after leaving the site and missing information is discovered, the inspector may have to return to the property to complete the inspection.

**STEP 16**

***Complete Life-Threatening Health and Safety Form***

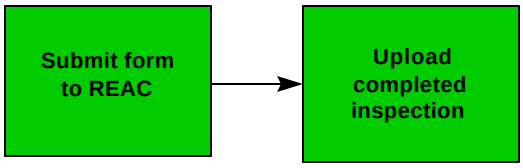
Life-threatening hazards must be entered into the PASS 2.1 software and recorded on the *Notification of Exigent and Fire and Safety Hazards Observed* form. Property owners should sign the form in acknowledgment of the safety hazard. If the property owner refuses to sign the form, the inspector should note the refusal on the form. The original form must be left with the property owner. and a copy faxed from the site, office or hotel to REAC by 10 am the following day.

**Key Point:**

All life-threatening safety hazards must be entered into the PASS 2.1 software **and** recorded on the *Notification of Exigent and Fire Safety Hazards Observed* form. Turn to the next page to see a sample of the *Notification of Exigent and Fire Safety Hazards* form.

It is important to complete the *Notification of Exigent and Fire Safety Hazards Observed* form in its entirety. The information will be used later by a HUD representative to follow-up on the property to ensure that any potential Health and Safety hazards have been dealt with properly.

# Post Inspection




***STEP 17***

***Submit Form***

The inspector must fax a copy of the *Notification of Exigent and Fire Safety Hazards Observed* form to REAC by 10:00 AM the following day. The inspector can fax from the site, office or hotel.

**STEP 18**

***Upload Completed Inspection***

Once the PASS 2.1 software verifies the inspection is complete, it must be uploaded to the REAC Web site. The data is electronically transmitted to the REAC Web site via the Internet. Uploaded data will be scored by PASS On-Line. All completed inspections must be uploaded daily from off-site.

Problems with uploading should be directed to the Contractor Help Desk for technical support. Inspectors should **not** contact REAC directly for technical problems.

***Variances***

Variances in the established Physical Inspection Protocol impact the accuracy and validity of property inspections. Variances are alterations to the standard inspection procedures as defined by the Physical Inspection Protocol. The variances are:

- Subjectivity
- Negligence
- Gaming

**Subjectivity** occurs when inspectors make personal judgements about the condition of a property or allow their personal biases to affect how they inspect.

- **Examples**:
  - Allowing bad property management to affect the assessment
  - Allowing bad housekeeping to affect the assessment
  - Allowing negative opinions about public housing to affect the assessment
  - Assessing items that are not defined by REAC as an inspectable item

- **Key Points:**
  - Inspectors must remain objective and impartial
  - If an inspector does not remain objective and impartial, it impacts the objectivity and scoring of the inspection
  - If the inspector follows the REAC protocol, it increases their ability to provide objective assessments

**Negligence** occurs when an inspector purposely tries to avoid following the inspection protocol, in order to reduce the time or effort required inspecting a property.

- **Examples:**
  - Skipping key activities like checking appliances and systems

- Not verifying property or building information
- Not thoroughly inspecting items to truly determine their condition

**Gaming** occurs when an inspector performs illicit activities in an attempt to cheat the system.

- **Examples**:
  - Providing the property owner with the sample units ahead of time, so that the owner can clean up the units to be inspected which results in a quicker inspection for the inspector and a higher score for the owner.
  - Accepting bribes or favors from property owners in return for leniency during the inspection

Variances must not occur if REAC is to maintain its goal to provide HUD with consistent, objective, and standardized information about the physical condition of properties.

**Discussion**

**Scenario 1:**

During his inspection of Rose Garden Apartments, Jamey Inspector noticed dirt on the linoleum floors in the common area of the sample building he was inspecting. When he noticed a few tiles missing, he immediately rated the deficiency as “Severe”, when it should have been rated “Minor”.

**Scenario 2:**

Frank Inspector began the physical inspection of Dogwood Estates with sympathetic feelings toward the property owner Mr. Byron. He felt that Mr. Byron did all he could to meet HUD requirements, but sometimes fell short despite valiant efforts. During the inspection, rated several deficiencies as “Minor” when they should have been rated “Major” or even “Severe”.

***Summary*** The purpose of the Physical Inspection Protocol is to standardize the inspection process. This will assist REAC in its mission to provide HUD with consistent, objective and factual inspection data.

The Physical Inspection Protocol is divided several steps that must be followed to complete a successful inspection:

- Pre-Inspection
  - Receive inspection assignment
  - Download inspection profile
  - Arrange inspection with owner
  - Update inspection schedule
- Inspection
  - Travel to site
  - Meet with property owner
  - Verify/update property information
  - Verify/update participant information
  - Verify/update building information
  - Verify property certificates
  - Generate sample in PASS 2.1 software
  - Select units to inspect
  - Select alternate units to inspect
  - Inspect site, building, and units
  - Confirm/verify inspection data (Check/Prepare)
  - Complete Notification of Life-Threatening Health and Safety form and give original to owner
- Post Inspection
  - Submit form
  - Upload completed inspection

It is critical that inspectors follow the protocol exactly to ensure that REAC receives accurate physical assessments. Protocol procedure must be followed in order to maintain decent, safe and sanitary housing in good repair. Variances to the protocol

negatively impact REAC's goal to provide HUD with accurate inspection data.

## ➢ Quality Assurance and the Contractor Help Desk

- Quality Assurance
- The Contractor Help Desk

**Overview:**

The purpose of Quality Assurance and Contractor Help Desk is to:

- Provide an overview on the REAC Quality Assurance function and discuss the importance of Quality Assurance in maintaining and improving the REAC Physical Inspection Program.
- Provide information on the assistance available to inspectors through their Contractor's Help Desk.

**Quality Assurance Objectives:**

Upon completion of the objectives, participants will be able to:

- Explain the function of Quality Assurance in the Physical Inspection Program
- Describe the role and responsibility of Quality Assurance inspectors
- Describe the Quality Assurance inspection approach used by QA inspectors
- Explain how to access assistance when needed

## Quality Assurance

***The QA Function***

REAC's Quality Assurance (QA) function in the Physical Inspection Program guarantees that property assessments are conducted according to the Physical Inspection Protocol. Quality Assurance supports REAC in its effort to assess the physical condition of HUD's housing portfolio and ensure decent, safe, and sanitary housing conditions for residents. More specifically, the QA program objectives are to:

- Evaluate the performance of the inspectors and aid in the development of their inspection skills
- Evaluate the performance of the Physical Inspection Program and define areas which are in need of improvement
- Identify discrepancies in the data received by REAC from the inspectors and define ways to resolve such discrepancies
- Take appropriate action when needed to guarantee that inspectors accurately adhere to the Physical Inspection Protocol
- Ensure that contractors establish and maintain an effective Quality Control (QC) program to monitor its own performance and compliance with the contract

The Quality Assurance review focuses on four principal inspection areas:

- **Property Profile** - missing/incomplete owner, participant, location information
- **Questionable N/As** - N/A for items that should not have N/A without an explanation e.g., N/A for roof, fire escape for high-rise
- **Sample Size** - incorrect sample or size without explanation
- **Protocol Discrepancies** - incorrect application of REAC protocol, i.e., identification of deficiencies outside the scope of REAC's current deficiency definitions

Trained QA inspectors perform collaborative inspections with inspectors on HUD properties. This enables QA to identify issues and take appropriate actions as necessary.

**Key Point:**

The objectives of REAC's Quality Assurance program are to continuously improve and create value in its physical inspection process.

## Contractor Quality Control (QC) Program

Contractor organizations awarded contracts by REAC must establish and maintain a quality control (QC) program. This measure allows the contractor to monitor its own performance and make certain it is following contract requirements. As part of its QC program, the contractor may conduct QC inspections to evaluate the inspector's performance. QC inspections are similar to QA inspections and may be performed in collaboration with or independent of the inspector. The REAC's Quality Assurance Inspection Team will periodically assess the performance of the contractor's quality control program.

***The QA Inspector***

REAC has brought together a team of experienced inspectors to carry out the Quality Assurance Program. All QA inspectors must learn REAC's Physical Inspection Protocol and pass the certification test before being eligible to conduct inspections on HUD housing.

These QA inspectors have inspection experience in the following areas:

- Multifamily, Public, and Indian housing properties
- Construction (e.g., foundations, structures, framing, plumbing, heating, air conditioning, interiors, insulation, and ventilation)

The Quality Assurance inspector's job is three-fold:

1. First, QA inspectors must make certain that the REAC Physical Inspection Protocol and contract requirements are followed at all times.
2. Second, QA inspectors work closely with the Quality Control (QC) program set up by the contractor. In this situation, QA inspectors work on-site with the contractor's QC inspectors to collaborate the observations of inspectors. This guarantees that the definitions and procedures within the protocol are followed appropriately and consistently.
3. Third, QA inspectors act as a liaison or contact person to the Government Technical Representative or the Government Technical Monitor (GTR/GTM). In this capacity, QA inspectors are responsible for relaying information on REAC protocol, hardware and software revisions, and definition revisions to the contractor so that the inspectors have the most up-to-date information.

The QA inspectors perform various roles in an effort to obtain an accurate picture of the physical inspection process. Therefore, REAC can determine the effectiveness of the Physical Inspection Program and can identify those areas that may need attention.

**Key Point:**

The QA inspectors' primary role is to make certain that the Physical Inspection Protocol is followed properly. Strict adherence to this protocol guarantees comprehensive and objective assessment results. Failure to comply with this protocol adversely impacts the data evaluated by REAC. Therefore, it is the goal of the QA team to see that noncompliance does not occur and take appropriate actions if it does.

***The QA Inspection Process***

To obtain a better understanding of the role of Quality Assurance, it is helpful to know how inspections are initiated and the types of inspections that occur.

Regional Quality Assurance Manager typically initiates inspections in three possible ways:

1. Departmental and/or Program Office priorities and special requests
2. QA triggers (e.g., information and analyses that reveal discrepancies in inspector performance or property conditions)
3. Assignment of collaborative inspections performed by the QA inspector assigned to that contract area

Once QA identifies a property for assessment, it is scheduled accordingly.

**Key Point:**

It is REAC's intent to meet with each inspector at least once every quarter.

A QA inspection is initiated based on the contractor's physical inspection schedule. Therefore, it is essential that inspectors report inspection schedules in accordance with contract requirements. Any date or time changes must be reported to the GTR/GTM immediately so that changes can be made accordingly. Furthermore, the inspector must report on-site delays or cancellations to their contractor in compliance with contract requirements.

The main type of QA inspection that HUD-certified inspectors will encounter is the Collaborative Inspection. This is a QA assessment performed in collaboration with the contractor inspector. The purpose of these assessments is to:

- Reinforce inspector training
- Ensure inspector's compliance with REAC inspection protocol
- Evaluate basic inspector skills
- Obtain critical information for improving training and software

***QA and the Inspector***

Quality Assurance has an important role in continuously improving the assessment process. QA results are channeled back into training, contractor quality control, and process evaluation to continually improve the REAC Physical Inspection Program. Therefore, these QA results have a direct impact on the inspectors who perform the physical assessments of HUD properties. It is important to note:

- QA inspectors monitor inspector compliance and measure the effectiveness of the process. Thus, it is in the inspector's best interest to properly follow the inspection protocol so that assessment results agree with Quality Assurance results.
- QA inspectors are a valuable resource for inspectors' continued development. These QA inspectors are highly trained in the Physical Inspection Protocol and can provide insight and advice into the process for all HUD contractor inspectors. Therefore, it is encouraged that inspectors utilize the QA team as a source for information to enhance inspection skills.
- Because QA inspectors evaluate compliance with the Physical Inspection Protocol, it is also their responsibility to take the necessary actions to make certain the protocol is adhered to at all times. These actions may include recommending the removal of an inspector who demonstrates the inability or unwillingness to comply with the protocol.

**Prevention:**

- REAC has put into place a QA program that is designed to prevent gaming and negligence
  - Various automated analyses are performed that can detect when the inspection protocol is not being performed. For example, the time a sample is generated and the time the first observation is entered into the PASS 2.1 software are recorded. If these two times are not on the same day, REAC will know that the sample was generated ahead of time. This inspection will be flagged for QA review.

- If an inspector is caught participating in gaming or other practices, the inspector's REAC certification is revoked.

**Key Point:**
Inspectors who have the required physical assessment skills and are conscientiously trying to follow the protocol, can use Quality Assurance as a key resource for continued improvement and success.

## The Contractor Help Desk

***The Contractor Help Desk***

Inspectors who have questions regarding the Physical Inspection Process, as well as hardware and software concerns, should always contact the Contractor Help Desk for assistance.

**The Contractor should include pertinent information for their Contract Help Desk in this section.**

**Discussion**

Discuss the following questions.

1. What is the QA inspectors' primary role?

2. What are the three jobs a QA inspector performs?

3. How can a contractor inspector best utilize a QA inspector?

3. Who does a contractor inspector contact for help?